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Testimony

in Support of

HB 5246: An Act Redefining "Small Contractor" for Purposes of the Set-Aside Program for Small Contractors

Government Administration and Elections Committee

February 22, 2016

Good afternoon, Senator Cassano, Representative Jutila, Senator McLachlan, Representative Smith, and distinguished members of the Government Administration and Elections Committee. Thank you for the opportunity to testify on HB 5246, An Act Redefining "Small Contractor" for Purposes of the Set-Aside Program for Small Contractors.

I thank the Committee for raising this bill, which would require Connecticut to change its definition of "small contractor" from one based on gross revenue to one that is based on the federal standards specified in the federal Small Business Act.

The Connecticut Supplier Diversity Program's set-asides ensure that small and minority-owned businesses have opportunities to bid on state contracts. This gives small businesses an avenue for pursuing growth through projects that are tailored to their capabilities and resources while making it easier for them to compete for contract awards. To bid on contracts through this program, an applicant must be certified as a small business enterprise, or SBE.

I brought the proposal for this legislation to the Committee because I believe that one of the criteria for SBE is too restrictive. It requires an applicant to have generated \$15 million or less in gross revenues during its most recently completed fiscal year.

Having to meet this criterion is a real barrier for certain types of businesses. For example, a materials-intensive business like a lumber yard or a cement company that purchases heavy materials on behalf of its customers and then uses them in manufacturing or providing a service may generate a small profit margin while posting substantial gross revenues due to the pass-through to customers of the materials costs.

Our research on the criteria used by surrounding states yielded a great deal of variety. But in most cases, like Connecticut, the states applied the same criteria to businesses in all sectors.

Federal standards, however, take the nature of different business categories into consideration. This is why I suggested aligning Connecticut's criteria with these standards. In the case of lumber yards, many types of heavy manufacturing, and nondurable goods wholesalers, the federal criteria are based on the number of a business' employers, while in the case of farming, financial services, and broadcasting, the criteria are based on revenues.

Connecticut must become more business-friendly, particularly when it comes to providing opportunities for its own local small businesses to grow. Better adapting these certification criteria to the characteristics of specific types of businesses could lower an existing barrier to an important market for our small and minority-owned businesses and help them compete. Adopting the federal standards could also make Connecticut more competitive vis-à-vis surrounding states. Quite simply, they seem to make more sense than using one standard across the board.

We all know that small businesses are critical to our local economy. Changing the definition of "small contractor" to reflect the diverse characteristics of Connecticut's wide range of small businesses would show that as a state we are really serious about helping our small businesses succeed.

I would like to thank Margaret F. Price, owner of Ridgefield Supply Company, for bringing this matter to my attention. Ridgefield Supply is a successful lumber and building supply dealer that can trace its roots in Connecticut back almost 150 years. Ms. Price has joined me here today to tell you about her experience with state contracting and how it might, through the passage of this bill, help other small Connecticut businesses grow, create jobs, and contribute to our economy.